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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 1/1/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
Eureka Capital Markets, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

610 Newport Center Drive

(No. and Street)

Newport Beach

CA

(City)

(State)

PROCESSED

MAY 09 2006

THOMSON  
FINANCIAL

92660

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jacques A. Perrone

949-719-2262

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

J.H. Cohn LLP

(Name -- if individual, state last, first, middle name)

1212 Avenue of Americas

New York

NY

10036

(Address)

(City)

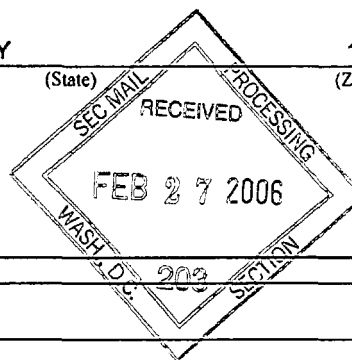
(State)

(Zip Code)

**CHECK ONE:**

- ☐ Certified Public Accountant  
☒ Public Accountant  
☐ Accountant not resident in United States or any of its possessions

FOR OFFICIAL USE ONLY



\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

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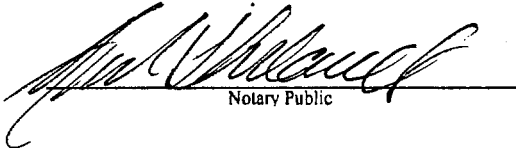
## OATH OR AFFIRMATION

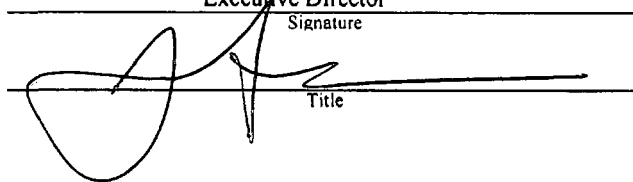
I, Jacques A. Perrone, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Eureka Capital Markets, LLC, as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

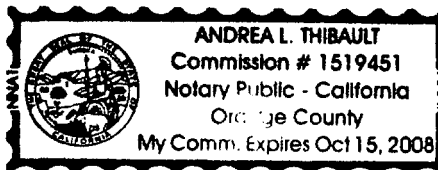
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\_\_\_\_\_

  
Notary Public

Executive Director  
Signature  
  
Title



This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditor's report on internal accounting control.
- ☐ (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# EUREKA CAPITAL MARKETS, LLC

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**Report of Independent Public Accountants**

To the Member  
Eureka Capital Markets, LLC

We have audited the accompanying statement of financial condition of Eureka Capital Markets, LLC (a wholly-owned subsidiary of Eureka Capital Partners, LLC and a Limited Liability Company) as of December 31, 2005, and the related statements of income, changes in member's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eureka Capital Markets, LLC as of December 31, 2005, and its results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 J.H. Cohn LLP

New York, New York  
February 1, 2006

**EUREKA CAPITAL MARKETS, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2005**

**ASSETS**

Cash and cash equivalents	\$1,013,874
Accounts receivable	574,430
Prepaid expenses	<u>3,921</u>
Total	<u>\$1,592,225</u>

**LIABILITIES AND MEMBER'S EQUITY**

Liabilities:	
Due to Parent	\$ 310,691
Commissions payable	<u>110,433</u>
Total liabilities	421,124
Member's equity	<u>1,171,101</u>
Total	<u>\$1,592,225</u>

See Notes to Financial Statements.

**EUREKA CAPITAL MARKETS, LLC**

**STATEMENT OF INCOME  
YEAR ENDED DECEMBER 31, 2005**

Revenues	<u>\$2,122,458</u>
Expenses:	
Commissions	394,529
Rent	47,605
Regulatory fees	19,883
Professional fees	30,305
Marketing	36,219
Telephone	14,412
Travel and entertainment	20,960
Office	16,596
Consulting	99,625
Other	<u>15,488</u>
Total	<u>695,622</u>
Income before income taxes	1,426,836
Provision for income taxes	<u>34,508</u>
Net income	<u>\$1,392,328</u>

See Notes to Financial Statements.

**EUREKA CAPITAL MARKETS, LLC**

**STATEMENT OF CHANGES IN MEMBER'S EQUITY  
YEAR ENDED DECEMBER 31, 2005**

Balance, beginning of year	\$1,330,734
Net income	1,392,328
Distributions	<u>(1,551,961)</u>
Balance, end of year	<u>\$1,171,101</u>

See Notes to Financial Statements.

**EUREKA CAPITAL MARKETS, LLC**

**STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2005**

Operating activities:	
Net income	\$1,392,328
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(294,055)
Prepaid expenses	(1,341)
Due to Parent	42,991
Commissions payable	<u>63,779</u>
Net cash provided by operating activities	1,203,702
Financing activities - distributions to ECP	<u>(1,551,961)</u>
Net decrease in cash and cash equivalents	(348,259)
Cash and cash equivalents, beginning of year	<u>1,362,133</u>
Cash and cash equivalents, end of year	<u>\$1,013,874</u>

See Notes to Financial Statements.



**EUREKA CAPITAL MARKETS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Business and summary of significant accounting policies:**

**Business:**

Eureka Capital Markets, LLC (the "Company") is a wholly-owned subsidiary of Eureka Capital Partners, LLC ("ECP") (the "Parent"). The Company was organized on February 8, 2001 as a Delaware limited liability company and is registered to do business in California as a foreign limited liability company. The Company is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. (the "NASD"). The operating agreement provides for the limited liability company to exist in perpetuity. There is only one class of member. The individual member's limit on liability is the extent of its contributed capital. The Company renders financial advisory services to selected clients with respect to merger and acquisition ("M&A") transactions, business restructurings and other financial services.

The Company operates under the provisions of paragraph (k)(2)(i) of Rule 15c3-3 of the Securities Exchange Act of 1934 which provides that the Company carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with the Company's activities as a broker or dealer, and does not otherwise hold funds or securities for, or owe money or securities to, customers.

**Use of estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Cash equivalents:**

The Company considers all demand and time deposits with maturities of three months or less to be cash equivalents.

**Revenue recognition:**

Revenues arise from financial advisory services provided by the Company to its clients. The Company bills for its services in three ways. First, revenues arise from work based upon hourly rates, second from retainer payments, and third from success fees based upon results experienced by the client.

**Allowance for doubtful accounts:**

The Company assesses the financial strength of its customers. Periodically, the Company evaluates its accounts receivable and provides for an allowance for doubtful accounts equal to the estimated uncollectible accounts. The Company's estimate is based on a review of the current status of the individual accounts receivable. It is reasonably possible that the Company's estimate of the provision for doubtful accounts will change. At December 31, 2005, an allowance for doubtful accounts was not necessary.

**EUREKA CAPITAL MARKETS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Business and summary of significant accounting policies (concluded):**

**Income taxes:**

The accompanying financial statements do not contain a provision for Federal and state income taxes since the Company's net income or loss is included in the Federal and state income tax returns of its member, ECP.

For New York City Unincorporated Business Tax ("UBT") purposes, the Company is included in the consolidated UBT tax return that is filed by ECP. Pursuant to a tax-sharing policy, UBT for the Company is determined on the basis of its separate taxable income.

The Company accounts for UBT pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. A deferred tax provision and the related deferred tax assets and liabilities are recorded by the Company based upon the expected future tax consequences of temporary differences generated as a result of its own operations. There were no material deferred tax assets or liabilities at December 31, 2005.

**Marketing:**

Marketing costs are expensed as incurred. Marketing expense totaled \$36,219 for the year ended December 31, 2005.

**Note 2 - Related party transactions:**

A significant amount of the Company's operating expenses for the year ended December 31, 2005 were paid by ECP. The Company and ECP have an expense sharing agreement as they utilize common services and facilities. The expense sharing agreement provides for the Company to reimburse ECP \$15,000 per month for operating expenses relating to its broker-dealer activities. The Company's share of these expenses is approximately 33% of total costs for marketing, technology, telephone, travel and entertainment, accounting tax, office supplies, rent and subscriptions. All regulatory and legal costs related to its broker-dealer activities are paid directly by the Company.

The Company shares office space with ECP. ECP has allocated rent expense of \$47,605 to the Company for the year ended December 31, 2005.

Due to ECP (Parent) at December 31, 2005 arose from the above expenses.

**EUREKA CAPITAL MARKETS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 3 - Commission payable:**

Commissions are due and payable only when the accounts receivable have been collected by the Company. The commissions payable amount to \$110,433 and relate to uncollected accounts receivable amounts as of December 31, 2005.

**Note 4 - Concentrations of credit risk:**

The Company had revenue concentrations with three clients representing 69% of revenues for the year ended December 31, 2005.

The Company had accounts receivable concentrations with one client representing 88% of accounts receivable as of December 31, 2005.

The Company maintains cash and cash equivalent deposits with banks. At times, such deposits exceed applicable insurance limits. The Company reduces its exposure to credit risk by maintaining such deposits with major financial institutions and monitoring their credit ratings.

**Note 5 - Net capital requirement:**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash distributions paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2005, the Company had net capital of \$703,183, which was \$675,108 in excess of its required net capital of \$28,075. The Company's ratio of aggregate indebtedness to net capital was .60 to 1.

**Note 6 - Subsequent event:**

During January 2006, the Company made cash distributions of approximately \$890,000 to its Parent.

**EUREKA CAPITAL MARKETS, LLC**

**SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2005**

Net capital:	
Total member's equity	\$1,171,101
Add commissions payable	<u>110,433</u>
Total capital	<u>1,281,534</u>
Deduct nonallowable assets:	
Accounts receivable	574,430
Prepaid expenses	<u>3,921</u>
Total	<u>578,351</u>
Net capital	<u>\$ 703,183</u>
Aggregate indebtedness - total liabilities	<u>\$ 421,124</u>
Computation of basic net capital requirement:	
Minimum net capital required (greater of 6-2/3% of aggregate indebtedness or \$5,000)	<u>\$ 28,075</u>
Excess net capital	<u>\$ 675,108</u>
Excess net capital at 1,000%	<u>\$ 661,071</u>
Ratio of aggregate indebtedness to net capital	<u>60 to 1</u>
Reconciliation with the Company's computation (included in Part IIA of Form X-17a-5 as of December 31, 2005):	
Net capital, as reported in the Company's Part IIA (Unaudited) Focus Report	\$ 737,184
Net audit adjustments - statement of income changes	<u>(34,001)</u>
Net capital per above	<u>\$ 703,183</u>
Aggregate indebtedness as reported in the Company's Part IIA (Unaudited) Focus Report	\$ 387,124
Audit adjustment - increase in due Parent	<u>34,000</u>
Aggregate indebtedness per above	<u>\$ 421,124</u>

See Report of Independent Public Accountants.

**EUREKA CAPITAL MARKETS, LLC**

**SCHEDULE II - COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2005**

The Company is exempt from the provision of Rule 15c3-3 as of December 31, 2005 under the Securities and Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(i).

See Report of Independent Public Accountants.

**Report of Independent Public Accountants  
on Internal Control**

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To the Member  
Eureka Capital Markets, LLC

In planning and performing our audit of the financial statements and supplemental schedules of Eureka Capital Markets, LLC (the "Company") as of and for the year ended December 31, 2005, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons
2. Recordation of differences required by Rule 17a-13
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005 to meet the SEC's objectives.

This report is intended solely for the use of the member of Eureka Capital Markets, LLC, management, the SEC, the National Association of Securities Dealers, Inc. and the other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*JH Cohn LLP*

New York, New York  
February 1, 2006